



JUL 17 1997

STATE OF WASHINGTON

WASHINGTON STATE LIQUOR CONTROL BOARD

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June 30, 1997

Phillip H. Wayt, Executive Director
Washington Beer & Wine Wholesalers Association
PO Box 1319
Olympia, WA 98507

Dear Phil:

Thank you for your June 23d letter concerning the LCB's wine program.

As you know, wine sales were opened up to the private sector in 1970. Since that time, the consumer has enjoyed a vibrant marketplace with considerable choice in product, quality and price. This is consistent with our philosophy of serving the residents of the state.

In 1996, the Board determined that our retail wine program was not keeping pace with customer expectations and that the Board, with its strong commitment to customer service, wanted to improve. Hence, in December, Steven Burnell was recruited to strengthen our retail wine program.

In doing so, we have held to the established policy that we will not actively solicit wine purchases from the Board's licensees. Clearly, there has been some excessive enthusiasm from individual store employees. We are taking steps to remind our retail staff of the policy (please see the attached memo), and we will continue to watch this. Your help in bringing to our attention incidents that are contrary to our policy is and will be appreciated.

Pricing questions, as always, are volatile and governed by a host of factors. We do have a statutory consideration that limits our overall net annual revenue to not more than 35%. Within that limitation, our intention is to make a profit on the retail operation and to price our products accordingly. We do not set out to under price wholesalers and believe that when that happens, it is more an anomaly than the result of any practice or pricing philosophy of the wine program.

Your letter also hints at questions about our sources of product. Historically, the Board carried only a limited selection of wine acquired by purchase from wineries. Mr. Burnell's philosophy is to expand the sources for our wine inventory to include wholesalers and distributors. We believe that a wine program that expands choice for our customers ultimately benefits the wholesalers and distributors to whom we turn to acquire the expanded inventory.

We look forward to continued dialogue with you and your membership and look forward to next month's meeting in Chelan.

Sincerely,


Nathan S. Ford, Jr.
Chairman

PLAINTIFF'S EXHIBIT	
CASE NO.	CV04-0360P
EXHIBIT NO.	151

WBW-007589



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